

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2005):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
APPAREL OF WOVEN BAMBOO-COTTON FABRIC**

Investigation No. 332-465-007

June 2005



Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-465-007

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|------------------------------------------|---------------------------------------------------------|
| Products | Apparel of woven bamboo-cotton fabric |
| Requesting Parties | Columbia Sportswear Co., Portland, OR |
| Date of Commission Report USTR Public | June 29, 2005 June 2005 |
| Commission Contact | Robert Wallace (202-205-3458; robert.wallace@usitc.gov) |

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON JUNE 29, 2005. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***).

Summary of Findings

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of apparel made in eligible sub-Saharan African and Caribbean Basin countries from the subject woven bamboo-cotton fabric, regardless of the source of such fabric, would likely have a slight adverse effect on the U.S. textile industry and its workers to the extent that it thwarts some U.S. firms' current efforts to weave bamboo-cotton fabric and spin bamboo and bamboo-cotton yarns. The proposed action would have no effect on the U.S. apparel industry because there are no known firms making apparel of the subject fabric domestically. The proposed preferential treatment would likely benefit U.S. firms that may make bamboo apparel in eligible beneficiary countries and their U.S.-based workers, to the extent that it spurs demand for such apparel. Given the unique nature of bamboo textiles and apparel, there appears to be no U.S. production of goods that could be considered directly substitutable for the bamboo articles. The proposed action would likely benefit U.S. consumers to the extent that woven bamboo-cotton garments become more available in the U.S. market and that importers pass on some of the duty savings to retail consumers.

Background

On January 19, 2005, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-465, *Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). Under this investigation, the Commission provides advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2005 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).¹

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Jan. 26, 2005 (70 F.R. 3728) and consult the Commission's website at www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm.

The Commission's advice in this report relates to a petition received by CITA on May 18, 2005, alleging that certain woven bamboo-cotton fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible AGOA and CBTPA beneficiary countries from such fabric, regardless of the source of the fabric.²

Discussion of the product

The petition states that the subject fabric is classified in subheading 5516.42.00 (statistical reporting number 5516.42.0022) of the Harmonized Tariff Schedule of the United States (HTS), which provides for dyed woven fabrics of artificial staple fibers, containing less than 85 percent by weight of artificial staple fibers, mixed mainly or solely with cotton. According to the petitioner, the subject fabric is a plain-woven sheeting fabric (1) of 59 percent bamboo fiber and 41 percent cotton by weight; (2) of ring-spun single yarns of metric number 33.6 for the cotton warp yarn and 23.5 for the bamboo filling yarn;³ (3) containing 27-28 warp ends and 20-21 filling picks per centimeter, or a total of 47-49 threads per square centimeter; and (4) weighing 170 grams per square meter and measuring 130-133 centimeters in width. The petitioner said the fabric will be used initially in women's woven blouses, classified in HTS chapter 62 (apparel, not knitted or crocheted) and dutiable at U.S. general rates of duty of 26.9 percent (HTS subheading 6206.40.30) or 16 percent ad valorem (6211.43.00), depending on the type of blouse.

Bamboo is processed into textile fiber in a manner similar to the viscose process used to make rayon, a manufactured fiber made of regenerated cellulose such as wood pulp. In general, the manufacture of bamboo fiber involves (1) processing the bamboo into a pulp, (2) chemically treating the pulp to form a viscose liquid, (3) extruding the liquid through a spinneret into filaments, and (4) cutting the filaments into short ("staple") fibers. As such, for tariff purposes, bamboo fiber is designated as an artificial (cellulosic) fiber, a type of manmade fiber.⁴

The petitioner, Columbia Sportswear Co., designs, sources, and markets outerwear apparel, with nearly all its apparel sourced from independent foreign producers, located mainly in the Far East.⁵ ***

Bamboo textiles and apparel are relatively new to the U.S. market and come almost entirely from China, where most of the world's supply of bamboo is grown and where most of the processing into textile fiber takes place.⁶ Trade sources claim that bamboo is unlike any other material used in textiles and apparel,

² The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

³ The metric yarn number indicates the number of 1,000 meter lengths in a kilogram of yarn. Warp yarns run lengthwise on the loom and in the fabric and filling (weft) yarns run across the width of the loom and fabric.

⁴ U.S. textile labeling acts do not recognize bamboo fiber as a generic fiber (Carol Jennings, Federal Trade Commission (FTC), telephone interview, June 9, 2005). *** For information on textile labeling, see the FTC business guide, *Threading Your Way Through the Labeling Requirements Under the Textile and Wool Acts*, available on the FTC website at www.ftc.gov.

⁵ See the firm's Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended Dec. 31, 2004.

⁶ Information in the paragraph is from the petition filed with CITA by Columbia Sportswear and the websites of Swicofil AG (www.swicofil.com), The M Group (www.bamboosa.com), Bamboo Textile (www.bambooclothes.com), and China Bambro Textile Co., Ltd. (www.bambrotex.com).

because bamboo has (1) antibacterial properties that eliminate odor naturally,⁷ even after many washings, and do not cause skin allergies as chemical antimicrobials sometimes do; (2) outstanding moisture absorption; and (3) unique breathability and moisture transmission properties. They contend that bamboo fabrics, compared with cotton fabrics, require less dyestuffs to achieve a desired color level, absorb dyestuffs better and faster, and show the colors better. They note that bamboo fabric has a soft hand or texture, good wear resistance, excellent drape, and vibrant colors. They also claim that bamboo articles are “green” or “environmentally friendly” goods, because bamboo is a renewable resource and a viable replacement for wood and petroleum-based materials.

Bamboo fiber and articles made of it cost much more than similar goods made of cotton. In fiber form, trade sources state that the per-pound price of bamboo fiber is \$1 - \$1.50 versus about \$0.50 for cotton, depending on fiber grade. In yarn form, trade sources state that the landed duty-paid value of ring-spun bamboo yarn from China is about \$1.95 - \$2.25 a pound, compared with \$1.60 - \$1.75 for Chinese ring-spun cotton yarn. Trade sources claim that the price of U.S.-made ring-spun bamboo yarn is roughly \$4 a pound. ***⁸ The f.o.b. (free on board) price of the subject fabric is ***.⁹

Discussion of affected U.S. industries, workers, and consumers

A representative of the National Council of Textile Organizations (NCTO) said that U.S. mills have begun using bamboo fiber only recently for spinning and weaving.¹⁰ He said one mill is working on a bamboo-cotton fabric similar to the subject fabric, and at least three spinning mills make yarns with bamboo fiber. There are no known U.S. producers of woven bamboo-cotton apparel. Given the newness of bamboo yarn, fabric, and apparel in the U.S. market, as well as the unique nature of such goods, there appears to be no U.S. production of products that could be considered directly substitutable for the bamboo articles.

Apparel

The two known U.S. producers of bamboo apparel, The M Group (Bamboosa apparel), Awendaw, SC, and Goodwear Corp., Essex, MA, use knitted, rather than woven, fabrics of bamboo or bamboo-cotton yarns to make knitwear such as T-shirts.¹¹ ***

Fabric

Alice Manufacturing Co., Inc., Easley, SC, is the only known U.S. fabric producer working with bamboo fiber.¹² An Alice official stated that the firm is conducting trial production runs in 100-percent bamboo and 50-50 bamboo-cotton fabrics ***. The Alice official said that the bamboo yarns being used in the trial runs are made domestically ***. The Alice official noted that woven cotton-blend fabrics are the firm's “bread and butter” product and that the firm has the capacity and know-how to make ring-spun bamboo-cotton fabrics, having made cotton-cellulosic rayon fabrics for many years.

⁷ In a report issued by China Bambro Textile Co., Ltd., entitled *Bamboo Fiber Technical Guidance*, the organization suggests that a bamboo-cotton yarn contain at least 70 percent bamboo fiber in order to “reach a satisfying anti-bacteria effect.” The report is available on the organization's website at www.bambrotex.com.

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¹⁰ Michael S. Hubbard, Vice President, NCTO, written submission to the Commission, June 9, 2005.

¹¹ Information on the firms was obtained by Commission staff in telephone interviews with Morris Saintsing, The M Group, June 15, 2005, and Steve Liquori, Goodwear Corp., June 22, 2005, and from their websites at www.bamboosa.com and www.goodwear.com, respectively.

¹² Information on Alice Manufacturing is from its written submission to CITA and from Jack Miller, Vice President of the firm, telephone interview by Commission staff, June 13, 2005.

Yarn

Bamboo yarn of a kind used to make the subject fabric is made by Tuscarora Yarns, Inc., Mount Pleasant, NC, which, according to its website, makes ring-spun bamboo-cotton yarn in English cotton counts of 4/1 to 36/1.¹³ ***

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Views of interested parties

The only written submission received by the Commission was from NCTO, a Washington, DC-based lobbying group representing the fiber, fabric, supplier, and yarn industries, which stated that it opposes the proposed preferential treatment.¹⁷ As noted above, NCTO said that there currently are at least three U.S. mills making yarns with bamboo fiber and at least one U.S. weaving mill working on a fabric similar to the subject fabric.

Probable economic effect advice¹⁸

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of apparel made in eligible AGOA and CBTPA countries from the subject woven bamboo-cotton fabric, regardless of the source of such fabric, would likely have a slight adverse effect on the U.S. textile industry and its workers to the extent that it thwarts some U.S. firms' current efforts to weave bamboo-cotton fabric and spin bamboo and bamboo-cotton yarns. *** Bamboo products represent a very small share of total production of U.S. yarn and fabric producers, and the U.S. market for fabrics containing bamboo fiber is currently very small. The bamboo products are part of the business strategies of these U.S. yarn and fabric producers to develop new market niches in which to compete since the United States eliminated import quotas on textiles and apparel on January 1, 2005. Given the newness of bamboo textiles and apparel in the U.S. market, as well as the unique nature of such products, there appears to be no U.S. production of goods that could be considered directly substitutable for the bamboo articles.

The proposed preferential treatment would have no effect on the U.S. apparel industry because there are no known firms making apparel of the subject woven bamboo-cotton fabric domestically. The proposed action would likely benefit U.S. firms that may make the bamboo apparel in eligible beneficiary countries and their U.S.-based workers, to the extent that it spurs demand for such apparel. It would also likely benefit U.S. consumers of apparel made of the subject fabric to the extent that the garments become more available in the U.S. market and that importers pass on some of the duty savings to retail consumers.

¹³ Information on Tuscarora Yarns is from its website at www.tuscarorayarns.com and Peter J. Hegarty, President of the firm, telephone interview by Commission staff, June 14, 2005.

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¹⁷ Michael S. Hubbard, Vice President, NCTO, written submission to the Commission, June 9, 2005.

¹⁸ The Commission's advice is based on information currently available to the Commission.